

DPI'S FISCAL RISK ASSESSMENT

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**AS REQUIRED BY THE
FEDERAL UNIFORM
GRANT GUIDANCE**

Requirement 2 CFR §200.331(b)

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- **DPI must evaluate each subrecipient's risk of noncompliance with Federal statutes and regulations to determine an appropriate level of monitoring.**
- **This must occur prior to awarding any federal funds to a subrecipient.**

Purpose and Intent

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- **Ensure that subrecipients use federal funds for the intended purpose.**
- **Provide preventative assistance before mistakes are made and funds have to be returned.**

Background

Office of the Inspector
General

Association of
Government
Accountability

Government
Accountability Office

- Focus on transparency and accountability
- Increased accountability but with decreasing capacity (people & funds)
- Consistency across states and federal awards

Background

Office of the Inspector
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- Preventive rather than reactive
 - USDE ensures students get services
 - Less time devoted to corrective measures and fund returns
- Narrowing the scope
 - Prior monitoring expectations seemed to be “everything” and “everyone” – impossible, unnecessary and shallow
 - This system applies a focus so that only a few receive better and more individualistic technical assistance

Background

DPI's Monitoring Process

- **Uniform Grant Guidance Risk Assessment and Monitoring**
- **Program Monitoring, performed by the program team and may still include fiscal aspects**
- **Single Audit Finding follow-up (coordinated agency-wide)**

ALL

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This risk assessment must be for:

- **All federal grants, regardless of agency**
- **All subrecipients, regardless of type**
- **Every year**

DPI's Internal Process

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Determining types of subrecipients

- Any entity that receives federal funds through DPI

School Districts

**Independent
Charter Schools**

**CESAs and
CCDEBs**

Non-Profits

**Government
Agencies
(DOC & DHS)**

Public Libraries

**Private Schools
(Food Service)**

**Community Based
Organizations**

DPI's Internal Process

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Determining risk factors

- Does a characteristic commonly lead to issues?
- If a subrecipient has this characteristic, what type of monitoring by DPI would prevent non-compliance?
 - ✦ Targeted technical assistance
 - ✦ Documentation review
 - ✦ Site visit
- Does DPI have access to information for all risk factors?
 - ✦ Turnover of staff (new business manager, directors, etc.)
 - ✦ New fiscal software (transferring financial data)
- Do the same risk factors apply to all sub-recipients?

Risk Factors

Total Federal Allocation

Known Fraud

Significant Audit Findings

New DPI Subrecipient of Federal Award

No Federal Single Audit in Prior Year

Claims Do Not Match Annual Report

Newly Consolidated or Split District

IDEA, ESEA or FNS Fiscal Compliance Findings

Return of Federal Funds

Significant Leadership Turnover

No Business Manager

Financial Concerns

What is a significant audit finding?

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It depends! Example: Time and Effort Finding

- Significant finding - People charged to the grant who are not actually working on the grant
- May be a significant finding – Poor supporting documentation
 - ✦ What types of positions is the subrecipient charging to the grant – single work objective or multiple work objective? Easy for DPI to determine by looking at applications
 - ✦ If sub-recipient charges only single work objective positions to grant, the audit finding is considered low risk

No Federal Single Audit in Prior Year

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Uniform Grant Guidance raises threshold of single audit requirement to \$750,000

- Reduces the number of LEAs in Wisconsin that will be required to have a single audit from approximately 70% to 50%
- DPI has depended on the single audit to identify subrecipient issues; with fewer audits there will be less “screening”

Claims Do Not Match Annual Report

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Fund 27 expenditures tracked by project code in special education annual report (PI 1505 SE)

- Final IDEA flow-through and preschool claims for special education costs (project 340, fund 27) must match the totals submitted on the annual report.
- Annual report data is used to determine an LEA's compliance with IDEA's maintenance of effort provision.
- Differences signify issues with the subrecipient's financial management system, and may be a widespread problem among all of the subrecipient's federal grant accounting.

Program Fiscal Compliance Findings

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- Each program has its own fiscal rules, above and beyond the Uniform Grant Guidance, that require monitoring. Findings in these programs *may* indicate larger systemic issues. Examples:
 - Unallowed costs
 - IDEA Maintenance of Effort
 - Title I Supplement not Supplant
 - Claimed items not matching approved budget
 - Property management
 - Late applications / infrequent claims
 - Reasons for a return of funds (vendor refund versus cash reconciliation being done at year end)

Significant Leadership Turnover

The “Trifecta” – New superintendent, new business manager, new director all within a year or two

- Loss of institutional knowledge
- Learning new systems and procedures
- No resident expert



DPI's Internal Process

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- **Determine “Monitoring” Activities**
 - What is most helpful to the subrecipient?
 - Will the monitoring requirement actually alleviate future non-compliance?
 - Avoid unnecessary or overly complicated requirements
- **Current Monitoring Activities**
 - Directed technical assistance
 - Review and testing of written procedures
 - Supporting documentation submitted with grant claim
 - Cash reconciliation
 - Site visit to review documentation and procedures

DPI's Challenges

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- **DPI awards funds to more than just school districts**
 - Private schools
 - Libraries
 - Non-profit and community-based organizations
 - CESAs/ CCDEBs
- **DPI does not have a system in place to keep track when there is turnover of significant staff or when a subrecipient changes financial software (two risks recommended by the Uniform Grant Guidance)**

DPI's Monitoring Process

Step 1

- DPI determined groupings of subrecipients
 - School Districts and Independent Charter Schools were not grouped together
 - CESAs and CCDEBs were grouped together

- DPI determined risk factors for each group
 - Some risk factors are not applicable (school district versus CESA)

DPI's Monitoring Process

Step 2

Prior to the start of FY 2015-16, identified subrecipients that would potentially receive federal funds

- There was one single risk assessment for all federal grants; any required monitoring applied to all federal grants received by the subrecipient
- Relied on the current Food and Nutrition team's monitoring process to meet Uniform Grant Guidance risk assessment requirement for entities receiving only USDA funds (meal reimbursements)
 - ✦ Most private schools

DPI's Monitoring Process

Step 3

- Ran groups through assigned risk assessment and based on results, determined which entities and what monitoring activities were required beginning July 1, 2015
- Notified subrecipients of additional monitoring
 - DPI notified District Administrator and Business Manager
 - Terms and conditions were recorded on the Grant Subaward Document

Reality

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- “Business as usual” for the majority of LEAs
- Much of the monitoring will be ensuring that identified subrecipients get individualized technical assistance



Reality

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- Single or state audit findings often resulted in additional monitoring under the risk assessment process, but the subrecipient was already aware of the issue.
- The point of the risk assessment / monitoring process is to **AVOID** payback of federal funds, not to jeopardize receiving federal funds.

Streamline and Avoid Duplication

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- **Single Audit Findings**

- DPI must issue a management letter sustaining or not sustaining the independent auditor's finding.
- If the finding is sustained, corrective action is required.
- DPI determined if the audit finding was "significant" per the risk assessment, and if so, made the corrective action part of the terms and conditions of the subrecipient's FY 2015-16 grants. This satisfied both the single audit requirement as well as the Uniform Grant Guidance's risk assessment requirement with a single process.

Terms & Conditions

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- Subrecipient-specific monitoring requirements were identified as a term and condition on the federal subaward document.
- The same requirement was listed on all federal subawards received by the subrecipient –
 - If the subrecipient was required to submit a ledger printout with every claim submission, it applied to each federal grant – Title I, Title II, IDEA, etc.
- The results of the monitoring will influence the FY 2016-17 risk assessment.

Samples of Terms & Conditions applied to FY 2015-16 subawards

- For every Federal grant received from DPI, submit a cost reimbursement claim quarterly and send a copy of the general ledger that matches the expenses claimed (tracked by project code)
- Provide the cash reconciliation for November no later than December 15, 2015 to a School Finance Services Auditor

Proactive Monitoring Example

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- Subaward Term & Condition

Submit ledger report with every claim; file claim at least quarterly



Proactive Monitoring Example

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If the subrecipient submits claims monthly or quarterly, and there are discrepancies, DPI will be able to provide technical assistance to correct early on and get the subrecipient in compliance.

If the subrecipient waits until the end of the year, or after the close of the year, to submit a single and final claim and there are issues, DPI will not have the capacity to help the subrecipient. The claim will be returned and payment will not be made until the ledger and / or claim are corrected.



Results of the Monitoring

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- Site visit and request for written procedures went well.
- Subrecipients required to submit cash reconciliations by December 15 followed through.
- Subrecipients required to submit claims quarterly with supporting documentation – not so good.

Results of the Monitoring

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15 districts were to submit quarterly claims for Federal grants along with a copy of the general ledger

- Most have not submitted quarterly claims
- Those who have submitted claims were not aware of the additional condition regarding the general ledger
- Concern that general ledgers *will not* match the grant claim
 - Claims will not be paid without supporting documentation
- These districts will likely remain under monitoring for the 2016-17 fiscal year

Risk Assessment for FY 2016-17

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- Currently running the risk assessment
- If monitoring is required, district administrators and business managers will be notified in the spring
- If monitoring is required, terms and conditions will be listed on each Federal grant
- Subrecipients that do not comply with the terms and conditions will eventually be found non-compliant

QUESTIONS?